Report on the Implementation of the European Commission's Communication on Defence

1) Introduction

The European Council in December 2013 established a solid foundation to enhance the Common Security and Defence Policy (CSDP). It reaffirmed the importance and necessity of strengthening the effectiveness and impact of CSDP missions and operations, developing the required military capabilities and deepening European defence co-operation. The European Council also recalled the importance of underpinning the CSDP with a genuine internal market and a competitive and innovative European Defence and Technological Industrial Base (EDTIB). It is, in particular, this latter area where the Commission can make a significant contribution. Therefore, the support from the European Council for a proactive Commission role in the security and defence sector, and for many of the measures proposed in its Defence Communication[1], was very welcome.

A strong European defence market and industrial base can only be achieved with a move away from the existing focus on national markets for defence procurement to establishing a genuine internal market for defence and security, which can involve both civilian and military actors. Europe can no longer afford the inefficiencies of duplication and overcapacity that our existing fragmented market entails.

European security depends, more than ever, on European security and defence cooperation and a more collaborative approach towards security and defence R&D and procurement. While Member States must decide on CSDP priorities, the Commission's major contribution is to ensure that the EDTIB remains flexible and broad enough to meet predicted and unforeseen military capability needs.

Continued top-down impetus from the European Council will be essential in maintaining the momentum generated by its December 2013 meeting. This report provides an update on the Commission’s activities to implement the Communication.

[1] *Towards a more competitive and efficient defence and security sector*: COM (2013) 542

2) Internal market, research, and industrial policy

2.1 Ensuring effective implementation of the Defence Directives

Procurement Directive

Strengthening the internal market for defence is an essential instrument to pursue the objective of a strong, competitive and sustainable industrial base in Europe. Lack of competition and the existence of protectionism have led to inefficient spending and duplication of capabilities. To tackle this, the Defence Procurement Directive[2] introduced internal market rules, which are tailor-made for the defence sector and reconcile EU-wide competition with security concerns. The Directive also strikes a balance between competition and cooperation, setting out a framework designed to enable Member States to pursue defence cooperation projects.

In December 2013, the European Council stressed the importance of the full and correct application of the Directive. Whilst the number of contract notices and contract award notices published in the Official Journal of the EU has been steadily increasing, it appears that Member States conduct significant procurements of defence equipment without applying the Directive. The Commission has constantly invited, and continues to invite, Member States to start as early as possible informal technical dialogue with the Commission's services when in doubt on the correct application of EU law in the area of defence procurement.

The Commission will report to the Parliament and Council on the implementation of the Directive by August 2016. In this report, the Commission will evaluate to what extent the objectives of the Directive have been achieved. Internal preparatory work for the evaluation of the Directive has started in January 2015. The report is likely to include i.a. a complete overview of the transposition of the Directive, an analysis based on quantitative data and qualitative information on its application, and an evaluation of its impact on the industrial base, with particular regard to the situation of SMEs. In the light of the findings of the report, the Commission may consider any adjustment needed to the provisions of the Directive.

In the July 2013 Communication, the Commission announced its intention to provide, in consultation with Member States, guidance on the application of certain exclusions from the Directive. In particular, the exclusion concerning government-to-government sales and international arrangements and organisations were mentioned. The discussions with Member States' experts on the guidance document concerning the government-to-government exclusion are expected to be finalised in May 2015. The intention is to publish the guidance in 2015.

[2] Directive 2009/81/EC on defence and security procurement

Planned actions

- Continue and further develop the dialogue with Member States to ensure the application of the Directive and to tackle market distortions;
- Consult Member States and the relevant stakeholders including industry to collect relevant information in the context of the work on the evaluation of the Directive;
- Continue in 2015 work on the exclusions concerning international organisations and arrangements, in particular through discussions with Member States' experts.

Transfers Directive

The Transfers Directive[3] establishes a new harmonised licensing system for the transfer of defence-related products within the EU. The objective is to reduce the administrative burden on both industry and Member States allowing the least sensitive products to be transferred more easily while allowing Member States to continue to control the transfer of the most sensitive. The aim is also to enhance competitiveness and confidence in security of supply of products provided by European companies in other Member States.

By June 2016 the Commission will report to the European Parliament and the Council on the implementation of this Directive. While it is too early to fully assess the impact of the Directive there are clear indications that the potential offered by its innovative and flexible tools has not yet been fully exploited by Member States and defence companies. In particular an initial analysis by the Commission has indicated that the main areas to be addressed are: raising awareness around the tools offered by the Directive, boosting the use of general licences and increasing incentives for companies to become certified.

To tackle these areas, the Commission has launched different initiatives aiming at engaging with both industry and Member States. Firstly, in June 2014, the Register of the Certified Defence-related Enterprises (CERTIDER) database has been upgraded. Its scope has been broadened to enable Member States to publish nationally issued General Licences.

Secondly, the Commission started drafting, and plans to publish in autumn 2015, a 'SME guide to the Transfers Directive' describing the benefits linked to the correct use of the Directive.

Finally, in March 2015, the Commission agreed with Member States to establish a Working Group on harmonising the implementation of the Transfers Directive. The working group will report to the Committee on intra-EU transfers of defence-related products. It will define a common EU harmonised approach to using the General Licences established by the Directive, in particular by identifying a common minimum list of defence products and common conditions for general licences for transfers to armed forces and transfers to certified defence

[3] Directive 2009/43/EC on intra-EU transfers of defence related products within the EU.

companies. It will also look into ways to reduce discrepancies in Member States approaches to the certification of defence companies.

The impact of these initiatives and the concrete results towards harmonisation coming out of the Working Group will help the Commission define concrete and agreed solutions to be included in the 2016 implementation report to the European Parliament and Council.

Planned Action

- Promote awareness of the benefits of the tools introduced by the Transfers Directive and strengthen information-sharing about existing General Licences, certified defence companies and Member States' national control systems. This may involve further steps to improve the scope and quality of the database underpinning the new system (CERTIDER);
- Continue dialogue with Member States to encourage the use of General Licences across all Member States;
- Define an EU harmonised approach to the use of General Licences, in particular by developing a common minimum list of non-sensitive defence-related products and components agreed by all Member States, and common conditions to simplify their transfer to armed forces and certified defence companies;
- Consult Member States and industry on how to promote the certification of defence companies, and improve and streamline national certification processes;
- Find a more efficient way to annually update the annex of the Directive to correspond to the EU Military List.

2.2 Towards a Roadmap for an EU-wide comprehensive Security of Supply Regime

As the European Council emphasised in its Conclusions of December 2013[4], EU-wide Security of Supply is essential to foster defence co-operation and to achieve a well-functioning internal market for defence. It is in this context that the European Council called "on the Commission to develop with Member States and in cooperation with the High Representative and the European Defence Agency a roadmap for a comprehensive EU-wide Security of Supply regime, which takes into account the globalised nature of critical supply chains".

The Commission has, as announced in the June 2014 Implementation Roadmap[5], taken stock of areas which should be covered by such a regime and existing instruments and

[4] European Council Conclusions of 20 December 2013 (217/13)

[5] *A New Deal for European Defence*: COM (2014) 387

arrangements. It has also conducted initial discussions with Member States, and participated in the work on Security of Supply in EDA.

On the basis of this preliminary work, the following observations can be made:

- There is consensus that Security of Supply represents a broad and complex concept, which can cover a wide range of different industrial, technological, legal and political aspects.

- Two key dimensions can be identified: 1) short/medium term Security of Supply - the guarantee of regularity of deliveries of defence equipment and services to Member States' armed forces in terms of quantity, quality and price, including, in times of crisis, the guarantee of exceptional and urgent deliveries under reasonable conditions; 2) long term Security of Supply - the ability of Member States to maintain key operational, technological and industrial capabilities.

- There seems to be a broad agreement among Member States and industry that a stronger push to achieve unimpeded intra-EU transfers of defence products and services for the end-use of Member States' Armed Forces is needed.

- Existing arrangements – e.g. those developed under the Letter of Intent (LoI) framework, in NORDEFCO, or in EDA – address issues such as mutual support and assistance, priorities and allocation systems, export control/transfer licenses. Such arrangements aim at enhancing mutual trust essentially through best-effort obligations and/or voluntary commitments. Initial discussions with Member States seem to show that the majority view this kind of instruments as the best way to address this matter at EU level, whilst some consider that more robust guarantees are needed to strengthen Security of Supply across the EU. An industry association has proposed that existing instruments should be developed into a European Defence Priorities and Allocation System, while pointing out that additional cost should not fall on industry.

- With regard to ensuring Security of Supply in the framework of relations with contractors, the Defence Procurement Directive is particularly important. It lays down a number of provisions specifically designed to address needs related to Security of Supply. In 2010, the Commission services developed, in consultation with Member States, a note to provide guidance on these provisions. Some uncertainties seem to persist with regard to measures that Member States' contracting authorities can take, under the Directive, to address their Security of Supply needs, including with regard to the role of subcontractors.

The Commission services have conducted internal analysis and initial discussions with stakeholders on the current framework for review of investment in strategic technological and industrial assets in the defence and sensitive security sector. The analysis also examines the possible need for action at EU level to enhance security of supply, foster the internal market,

facilitate market access for SMEs and ultimately increase the competitiveness of the industry and investment.

EDA is developing, with participating Member States, proposals for potential new actions to improve Security of Supply. The Commission will continue cooperating with EDA and fully take into account such proposals in view of the development of the Roadmap.

Planned action:

- Following the European Council of June 2015, and in the light of any guidance it may provide on the matter, the Commission will continue discussions with Member States, and consult relevant stakeholders;
- On this basis, the Commission expects to finalise the Roadmap for a comprehensive EU-wide Security of Supply regime by the first quarter 2016 with the view to endorsement by the European Council, and then swiftly proceed with its implementation;
- The Commission may provide guidance on how best to use the provisions of the Defence Procurement Directive, to guarantee Security of Supply.
- The Commission services will continue their assessment and discussions with stakeholders on the issue of investment review. The Commission will decide on any possible follow-up in time to contribute to the Roadmap for a comprehensive EU-wide Security of Supply regime.

2.3 Supporting European Investment, including in the Defence Industry, through Research and Innovation

Investment in defence R&D, which was already low, has seen dramatic reductions through the economic crisis with little sign that this is changing. However, Europe's defence industry depends on investment in R&D to develop the military technology of the future and to remain competitive in the global market place.

<u>Horizon 2020</u>
The ability of the Commission to support in this area must be seen in the context of the exclusive focus on civil applications of research and innovation activities carried out under Horizon 2020, the Union's research and innovation programme. Therefore, given this context, the Commission is focusing its efforts in this area in two main areas: 1) to prepare future actions in support of CSDP-related research through a Preparatory Action outside the scope of Horizon 2020; and 2) to give general support to dual-use research in the light of Europe's defence industry dependence on dual-use technologies and research. In this area, considerable effort has gone into ensuring synergies between the security research of Horizon 2020 and the strategic research agenda of the EDA.

These work strands are identified below.

2.3.1. Preparatory Action

In its Defence Communication the Commission proposed launching a Preparatory Action to support CSDP-related research. This would allow the Commission, for the first time, to take account of European military requirements from the start of developing projects in a way that is impossible now.

The Preparatory Action is a flexible tool that provides the possibility to test new policy approaches. The Financial Regulation places a number of limits on the establishment of such a Preparatory Action in terms of its scope, contents, budget and implementation (e.g. an action can last a maximum of three years[6]). However, a Preparatory Action would help develop the case for a possible CSDP-related research programme which would be considered for funding under the next multi-annual financial framework.

A high level Group of Personalities was established under the chairmanship of Commissioner Bieńkowska. Its primary role is to provide strategic advice to the Commission on the scope and modalities of the Action and on any future follow-up. It had its first meeting on 30th March.

In parallel the Commission, together with the EDA, has organised three workshops with Member States and the industry on the scope, governance, modalities and content of the Preparatory Action. This allowed for a first mapping of the specific issues that need to be addressed for the CSDP related research, in particular in terms of the governance and Intellectual Property Rights. In addition, the Commission is about to launch a Pilot Project, proposed by the European Parliament, to test certain aspects of the governance of the future Preparatory Action. In particular, the Pilot Project will help to assess the capacity of the EDA to implement, on behalf of the EU, CSDP related-research projects with EU financing.

<u>Planned Action</u>

- The Group of Personalities will present its final report to Commissioner Bieńkowska by March 2016.
- There will be a second series of workshops with Member States and industry later in 2015 with a focus on finding solutions to the issues identified in the workshops organised so far.
- On this basis, a more detailed proposal for the Preparatory Action will be presented to the European Parliament and Council for budgetary approval in early 2016. Following

[6] Article 54.2(b) of Regulation (EU,EURATOM) No 966/2012 of the European Parliament and of the Council (Financial Regulation).

this, the Commission will take the necessary steps to ensure the launch of the Preparatory Action in early 2017.

2.3.2. Synergies between civil and defence research

a) Maximising synergies with Horizon 2020

The Commission is already actively pursuing coordination with the research activities of EDA in order to strengthen cooperation with it, notably through the already established European Framework Cooperation within the scope allowed by the respective rules recognising that there are areas of dual-use technology.

Planned Action

To complement this work, the Commission will establish a review mechanism for Horizon 2020 research topics/projects to flag up those with a dual-use potential. This mechanism will operate only within the scope allowed by the Horizon 2020 rules.

The Commission will also examine ways of supplementing this work with an outreach mechanism that will disseminate, while respecting the Horizon 2020 rules on intellectual property, information about the results of this review to appropriate bodies in the Member States responsible for defence-related research and for the benefit of defence-related SMEs. This would enhance the possibilities to derive the maximum dual use synergies and benefits from EU research funding.

b) Key Enabling Technologies

The Commission is devoting considerable effort to promote the development of Key Enabling Technologies (KETs), such as nanotechnology, micro-electronics, biotechnology and photonics. They play an important role in the R&D and innovation of many industries and are crucial for ensuring the long-term competitiveness of European industries, both on the civil and military side. Support for KETs, but only for civil purposes, is also offered through Horizon 2020 as well as through the European Regional Development Fund.

The Commission is advised on its KET policy by the High Level Group on KETs established in 2013. In 2014 the Group established a sub-group to explore the dual-use potential of KETs which delivered recommendations for the final report of the High Level Group which is expected to be adopted shortly.

Planned Action

- The Commission will launch a 10 months study in May 2015 on the dual use of KETs with the objectives of:

- Developing of a methodology to analyse and identify technological opportunities provided by KETs in the most promising innovation fields for dual use (KETs innovation activities); and
- establishing a list of KETs that have the greatest potential for use in the defence area and where the results of the research could be taken up and further developed by the industry and Member States.

- Inter-regional co-operation in the field of KETs will be supported through the inter-regional component of the European Structural and Investment Funds.

2.4 SMEs

In its Conclusions of December 2013, the European Council underlined "the importance of cross-border market access for SMEs", stressed that "full use should be made of the possibilities that EU law offers on subcontracting", and invited "the Commission to investigate the possibilities for additional measures to open up supply chains to SMEs from all Member States".

The Commission organised in February 2014 a first workshop with Member States and stakeholders to discuss the issue of cross-border market access for SMEs and non-distortive alternative to offsets.

In order to receive expert advice to carry out the European Council's tasking in this area, the Commission is currently establishing a group with experts from Member States and industry (system integrators and SMEs). The first meeting is expected to take place by May 2015.

The members of the group have been selected by the Commission on the basis of their profiles and technical competence, and to ensure geographical balance and a balanced representation of interests. The EDA will be invited to participate in the meetings of the Group. The objectives of the expert group will be to: a) provide an overview of obstacles currently hindering SMEs participation in defence contracts and cross-border market access; b) explore options to improve the practical application of the subcontracting provisions of the Defence Procurement Directive and to promote the use of these provisions by Member States' contracting authorities; c) analyse possible ways to support cross-border integration of supply chains; and d) investigate the possibilities for additional measures in this area.

In addition to the work aimed at supporting cross border market access for SMEs, the Commission continues its practical work to help SMEs and Europe's regions to access EU funding for dual-use projects. On 10th October 2014 the Commission launched its guide on EU Funding for Dual Use projects[7]. In partnership with the EDA, the Commission has been promoting this guide through regional workshops, match-making events and practical

[7] Available at: http://ec.europa.eu/growth/sectors/defence/smes/index_en.htm

seminars on how to apply for funding. The guide is being translated into a number of languages with the French, Spanish, Italian and German versions expected to be available during the course of this year.

The first results of these actions can be already seen in the increased EU funding for projects with dual use potential, especially under ESIF, in some Member States. Various regions (eg. Aquitaine, Andalucía & Podkarpackie) have envisaged smart specialisation areas in their regional development strategies for which a dual-use approach can be applied. This is a proof of increasing awareness in the EU Regions of possible support for security and defence albeit targeted at civilian objectives.

Planned actions:

- The expert group is expected to work for 12-18 months after the first meeting. This will be followed by a broader consultation with Member States and stakeholders of the conclusions of the group with a view to proposing a final set of recommendations on any follow-up actions.
- Workshops/seminars on access to EU finding for dual use projects are planned for June and October 2015 as well as for 2016.
- Establish, through COSME[8] and the interregional co-operation strand of ESIF, a European Network of Defence-related Regions: such a network would bring regions with dual-use activities together to exchange best practices, cooperate with others to increase the dual-use potential of their regional strategies, and enhance the dual-use opportunities for SMEs.
- Explore the possibility of dedicated actions in support of defence-related SMEs under the Commission's COSME 2016-2020 work programme.

2.5 Standardisation

In December 2014 a new mechanism to monitor and develop defence and hybrid standards was agreed between the Commission, EDA and Member States. The mechanism provides an important new role for the Materiel Standardisation Group (MSG), based in the EDA, to examine potential gaps in existing standards used in defence and then to identify the appropriate way to fill them including through the European Standardisation Organisations. For the first time, there will be a new Member State-led, non-bureaucratic approach to promoting the common use of standards in defence which is based on existing mechanisms (e.g. NATO) and does not duplicate them.

<u>Planned Action</u>
The MSG is now identifying pilot cases to test this new approach.

[8] COSME = Competitiveness of Enterprises and SMEs.

2.6 Certification - and safety of airspace

The Commission in conjunction with the European Aviation Safety Agency (EASA) will continue to support the EDA and the Member States in the harmonisation of military airworthiness requirements in order to achieve, as far as possible, convergence of military certification system with the applicable civil requirements. The Commission together with EASA will continue to encourage the use of their civil experience and standards in the process of certification of military products, in cooperation with the EDA and the Member States.

With a view to reducing costs and avoiding duplication, EASA could be entrusted with the common European civil certification of certain military or dual-use products and infrastructure where manufacturers and Member States so desire, while Member States will continue to be responsible for the certification of the military systems on board.

Experience gained with the certification of the civil configuration of military products, such as the aircraft of type Airbus A-400M, and the recent submissions by the industry of applications for EASA certification of dual-use Remotely Piloted Aircraft Systems (RPAS) show that EASA in close cooperation with the Commission and the Member States has a significant contribution to make in this domain. Steps towards such an approach will however be based on a feasibility analysis to examine the resources implications for EASA as well as legal and safety aspects arising from split responsibilities between civil/EU and military/national authorities.

The European Commission is strongly committed to implement the Single European Sky (SES) as a catalyst for the growth and competitiveness of the European aviation sector. To meet the SES high level objectives continuous support from all operational stakeholders, including from the military, is required. With the aim to establish an effective interaction between the civil and military aviation communities, the Commission welcomes EDA's role and support in facilitating the coordination of the military views in SES, in close coordination with the Member States and other relevant international military organizations.

Within the context of its SES responsibilities, EASA could further contribute to civil-military cooperation by facilitating the interaction with the EDA (and NATO as appropriate) with a view to alleviating the impact of SES and EASA rulemaking activities to the military.

3) Other areas of activity

3.1 Skills

The EDA has commissioned a study on key skills and competences in the defence sector. It will identify key skills needed for the future and essential existing skills that might be lost.

Planned Action

Once this study is finalised it will provide a solid basis for the Commission to examine ways it can help in this field through its tools such as the 'Sector Skills Alliance' and 'Knowledge Alliances' programmes and the European Structural and Investment Funds.

3.2 Raw materials

The Commission's Joint Research Centre is carrying out an analysis with the aim to screen raw materials that are critical for the defence sector. This work is being undertaken in close cooperation with industry and the EDA and will be finalised in September 2015.

Planned Action

The conclusions of this analytical work will provide valuable inputs to the further development of the overall EU raw materials strategy and may pave the way for possible policy actions in support of the defence industry's need to access raw materials.

3.3 Civil-military Co-operation

The Commission has been working closely with the EDA to explore synergies in the field of civil / military cooperation especially in the field of counter terrorism. Following discussions with Member States, it was agreed that the most suitable areas for starting co-operation would be in the field of explosives and Chemical Biological Radiological Nuclear (CBRN) detection. Enhancing synergies between civil-military authorities has also been one of the main objectives of the EU Maritime Security Strategy and Action Plan adopted by the Council in 2014.

Planned Action

Two workshops with Member State representatives and practitioners (e.g. police services) are planned for 2015:

Man Portable Air Defence System (MANPAD) vulnerability assessment workshop

This workshop would serve as a test/training for police officers and other actors, who would participate in future MANPAD vulnerability assessments. The training to be offered would be in two elements; understanding the vulnerability assessment process and understanding the MANPAD technical capabilities. The draft guidance materials could be used by also Member States to assess intra-EU vulnerabilities as well as outside of EU.

Improvised Explosive Devices (IED) Detection and Concealment trends workshop

The detection of IED's at entry points to military, government and critical infrastructure installations are a high priority. The continuing innovation in IEDs poses a serious detection threat to the existing security controls. The workshop would exchange best practices and use of alternative security measures to detect such IED and other threats.

During spring 2015 Member States will be consulted on further areas for civil-military co-operation and in the autumn a joint meeting is planned of the Commission's CBRN-E

(explosive) Advisory Group and the equivalent group of the EDA to discuss further areas for co-operation.

3.4 Civil Protection

Work is progressing on the implementation of the 2013 European Parliament and Council Decision on a Union Civil Protection Mechanism (1313/2013/EU), and in particular the establishment of a European Emergency Response Capacity in the form of a voluntary pool of Member States' civil protection response capacities. This voluntary pool is also open to Member States' military assets that could be deployed in support of disaster management operations, and will provide the starting point for a European-wide gap analysis process, which will also consider relevant military capacities.

3.5 Security Agenda and Information Exchange in the Maritime Domain

Work is also progressing in this area. The ambitions to enhance co-operation in the maritime domain through the establishment of a Common Information Sharing Environment for the maritime domain (Maritime CISE) has now been extended to other areas of co-operation. Maritime CISE now forms part of a more extensive co-operation framework following the adoption by the Council in 2014 of the EU Maritime Security Strategy and Action Plan[9]. In addition to the Maritime CISE, this co-operation framework covers an array of actions under five different work strands: 1) external action; 2) maritime awareness, surveillance and information sharing; 3) capacity development and capacity building; 4) risk management, protection of critical infrastructures and crisis response; and 5) maritime security research and innovation, education and training. Maritime CISE was also subject to a third Commission Communication adopted in July 2014. This Communication provides for CISE to develop as a *non-binding* initiative with a priority focus on civil - military interoperability[10].

Maritime CISE is necessary to enhance efficiency and cost effectiveness for security, growth and jobs. Looking specifically at the area of information exchange, even if existing maritime surveillance systems deliver excellent results, significant potentials remain unexploited: In 2012 Member States' experts concluded that only 30% of the existing surveillance information reaches those authorities (CISE users) who need it. Therefore, Maritime CISE is being also developed to fill this gap by making the best out of all existing maritime surveillance systems. As a consequence, civilian and military users, together, are making sure Maritime CISE delivers the value-added they need to face the challenges of the 21st century.

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[9] The EUMSS was adopted by Council following a Joint Communication by the Commission and High Representative on 6th March 2014: *For an Open and Secure Global Maritime Domain*

[10] *Next steps within the Common Information Sharing Environment for the EU maritime domain*: COM/2014/451

Such value added translates into €4 billion expected economic benefit for Europe brought by Maritime CISE over ten years. This benefit compares with a relatively modest investment of €100 million over ten years.

Planned Action

The implementation of the EUMSS Action Plan will be monitored by the Council through regular meetings of the friends of the Presidency Group. The main actors for implementation will be the EEAS, the Commission, EDA and Member States. The Commission is expected to present implementation reports at regular intervals, on the basis of input from Member States. This reporting procedure will cover all work strands identified in the EUMSS Action Plan, including the implementation of Maritime CISE both at EU and national level.

Fourteen Member States engaged with representatives from all relevant civilian and military sectors into their fourth project called 'EUCISE2020' to design, implement and test Maritime CISE at large scale by 2017. By this means, Member States together with the European Commission are developing Maritime CISE as a building block of the European Agenda on Security. As an outcome they will create the framework to enable 400 public authorities acting in the fields of transport, environmental control, border control, fisheries control, general law enforcement, customs and defence, to become mutually interoperable.

3.6 Space

Space Surveillance and Tracking (SST).

The Decision of the European Parliament and of the Council establishing a Support Framework for SST was adopted on 16 April 2014. Following the adoption in September 2014 of a first implementing decision, the procedure for the participation of the first Member States in the SST Support Framework is ongoing. These Member States owning SST capabilities will constitute a consortium and create a network in view of delivering SST services at European level expected by the end of 2015.

Planned Action

To ensure the long-term, high efficiency SST service requires updating and renewal of SST capacities of Member States participating in the SST Support Framework. To do this, and to stimulate technological development in this area, an activity of €10 million on SST is included in the 2015 work programme of Horizon 2020.

Government Satellite Communications (GOVSATCOM)

The Commission is analysing civilian user needs for GOVSATCOM to support EU security-related policies and infrastructures. Moreover, the Commission launched a study to identify the necessary technologies for the next generation of GOVSATCOM.

The first elements of the study and the initial consultations with stakeholders indicate that there may be an interest to: i) restructure and defragment the institutional demand for SATCOM combining both civilian and defence needs and commercial and governmental SATCOM; and (ii) explore a cooperation scheme in order to develop the next generation of a GOVSATCOM capacity at European level.

The EDA has already undertaken a similar exercise for military user needs and is currently performing a feasibility study concerning a future GOVSATCOM capability.

Planned Action

The Commission will consider exploring further activities focused on identifying possible options for the next generation of government satellite communication based on high level civil-military requirements developed in co-operation with the EEAS and EDA.

3.7 Energy

The Commission proposed setting up a Consultation Forum on Sustainable Energy in the Defence and Security Sector (CF SEDSS) to bring together Member States' experts from the defence and the energy sectors to discuss issues of common interest and to enhance the role of the defence sector in energy-related matters. The proposed Consultation Forum is intended to focus on energy efficiency and renewable energy issues.

The CF SEDSS activity will facilitate exchange of good practice on the use of renewables and promoting energy efficiency in the non-combat related types of energy use in the defence sector. In practice CF SEDSS will address only the civilian type of energy use (e.g. refurbishment of barracks, offices, military hospitals, etc) or dual-use applications (e.g. use of biofuels in ships to reduce the environmental impact of maritime surveillance of the coastal guard, etc).

Planned Action

The Consultation Forum has a dedicated budget under the Horizon 2020 work programme 2014-2015. It will be organised and managed by the EDA and the Commission is currently discussing with the Agency the practical arrangements for this including the negotiation of a service contract that is likely to be concluded in May 2015.

3.8 International Dimension

Competitiveness of the European defence industry on third markets

On 2nd December 2014 the Commission held a seminar with Member States and industry on "Strengthening the competitiveness of the European defence industry on third markets". The seminar addressed the possible contribution of trade and investment agreements, as well as public procurement, offsets, SMEs and dual use export control in third markets. The Commission did not identify new actions it could put forward at this stage, due notably to the specificities of the defence sector in the existing international trade and investment regime.

Dual use export control

Latest state of play

Work continues on reviewing the European strategic export control policy following the adoption of the Commission's Communication "Ensuring security and competitiveness in a changing world" in April 2014[11]. The Commission is now conducting an impact assessment of the various review options identified in the Communication. This is due to be completed by the end of 2015 and will be supported by extensive stakeholder consultations.

Planned Action

The Commission will complete the impact assessment by the end of 2015 and then, in early 2016, identify the most suitable regulatory and non-regulatory actions to generate the modern control capabilities the EU needs for the coming decade and beyond, in order to face new security challenges and sustain the competitiveness of EU dual-use companies, notably in the defence sector.

4) Follow-up - Consultation Mechanism

Consultation with Member States, industry and other stakeholders has been a key feature of the development of the original Defence Communication and its implementation. There have been regular consultations with Member States through Commission-chaired meetings, the Council, and EDA. These will continue as will regular meetings with industry on a bilateral basis and through the relevant industry associations.

[11] *The Review of Export Control Policy*: COM (2014) 244